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GA1.13: FPCD-80-54 / Silver

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

COMPLETED
ORIGINAL

First Step Completed In Conversion To Senior Executive Service

GAO examined the conversion of various Federal executive authorities and systems to the Senior Executive Service and found that the Office of Personnel Management did a creditable job as the focal point for conversion. But several issues resulting from the conversion and from other aspects of the system still raise concerns.

Presently, SES salaries are compressed and measures being considered by the Congress could further restrict SES pay and inhibit performance awards and executive ranks envisioned by the Reform Act. Continual turmoil on matters of executive compensation is having negative effects on SES members.

GAO recommends that the Congress allow annual pay adjustments, discontinue linking congressional and Executive Level II salaries, and allow bonus and rank provisions of the Reform Act to take effect. Also, recommendations are made to the Office of Personnel Management on

--the position allocation process, position designations, and appointments and

--guidance and oversight.

UNITED STATES
GENERAL ACCOUNTING OFFICE

(13)

FPCD-80-54
JULY 11, 1980

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

FIRST STEP COMPLETED IN CONVERSION TO SENIOR EXECUTIVE SERVICE

D I G E S T

The Senior Executive Service (SES) became a reality in the Federal Government on July 13, 1979, when more than 98 percent of Federal executives in SES-designated jobs became members.

The Office of Personnel Management (OPM) did a creditable job as the focal point for converting positions and executives to SES despite rigid time constraints and the need to make major changes in Federal personnel management, but some concerns remain. Also, OPM and the agencies are still designing and implementing major elements--like performance appraisal and executive development systems.

Created by the Civil Service Reform Act of 1978 as one of several ways to improve Federal personnel management, SES covers most executive branch managers in positions classifiable at GS-16 through Executive Level IV. OPM is responsible for executing, administering, and enforcing rules and regulations governing SES. However, SES has a minimum of regulations which is consistent with OPM's goal of decentralizing personnel management. (See p. 1.)

Whether SES will improve the efficiency and effectiveness of the Federal Government will be determined by practical application and the ability of agencies to improve the quality of public service. Its success will require the combined work of the Congress, OPM, executive agencies, and SES executives. (See p. 7.) GAO identified several specific areas which still require attention.

OPM's review of possible SES positions during the first allocation process was affected by

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tight time schedules and the many positions to be considered. Greater consistency can be achieved in the next allocation process if OPM prepares guidelines for agencies and internal review procedures which will draw on the knowledge gained in the first allocation process. (See p. 9.)

SES has two types of positions: general and career reserved. The general position is the norm--executives with career, noncareer, or limited status may occupy this position. Only a career appointee can occupy a career-reserved position.

GAO found positions that appeared to meet the career-reserved criteria which were designated "general" and positions with similar responsibilities being treated differently. For example, several agencies designated key internal audit positions as general. OPM needs to consider adding several occupational disciplines to its criteria for positions normally career reserved and increase monitoring to insure that general positions are properly designated and do not involve duties which warrant career reserved. (See p. 11.)

OPM will need to be aware of agency practices in making noncareer and limited appointments. These appointments can be up to 15 percent of SES positions, but merit staffing procedures are not required for these appointments and much of the responsibility for them rests with the agencies. (See p. 16.)

Executives who would have otherwise received an SES noncareer appointment, but who had reinstatement eligibility to a position in the competitive service, were given the opportunity by the Reform Act to request re instatement to career status. OPM issued a regulation to also allow conversion to

career status of individuals serving in Schedule C, noncareer executive assignment, noncareer Executive Schedule, and limited executive assignment positions based on prior career-type experience in the excepted service. GAO believes OPM needs legislative authority for these latter conversions. GAO also believes OPM should verify whether executives who converted to career status were incumbents of positions when these positions were designated as SES positions. Incumbency was required by the Reform Act and OPM regulations. (See p. 21.)

About 1,000 special agency authorizations are excluded from SES and a 10,777 "pool" of executive positions established by the Reform Act. Most of the authorizations are not being used. The "repealer provision" of the Reform Act should be amended to remove special agency authorizations not being used. (See p. 27.)

The pay-setting process, as envisioned by the Reform Act, and the introduction of performance awards (bonuses) are among the most innovative and appealing features of SES. However, salaries of SES members are presently compressed by the linkage of congressional and Executive Schedule salaries and the limitations on the annual pay adjustments for executives which have been imposed by law. About 90 percent of SES executives receive the same pay.

The Congress was considering placing still further restrictions on the aggregate amount of pay, bonuses, and Meritorious Executive and Distinguished Executive ranks allowed SES members. If annual adjustments are continually denied or limited, and if lump-sum payments for bonuses and ranks are restricted, the morale of SES members will be seriously affected. In addition, some of

the success agencies have had in encouraging Federal executives to join SES will almost certainly be nullified.

Moreover, incentives for greater excellence which the Congress was striving to stimulate with the Reform Act's pay for performance provisions can be stifled. The restriction or withdrawal of performance awards and ranks could be construed by many executives who have elected to join SES as a breach of faith and would remove a major inducement to join SES, thereby greatly weakening the SES system. (See p. 30.)

Potential for inequities exists in awarding bonuses. The Reform Act stipulates that performance awards may be granted to 50 percent of the total SES positions in an agency. Only career executives are eligible for bonuses. Therefore, career executives in agencies with a high percentage of noncareer executives have a significantly greater opportunity to receive bonuses. Some agencies will be able to pay most or all of their career executives bonuses, while others must limit bonuses to about 50 percent of their career executives. The problem could be solved by amending the Reform Act to specify a maximum percentage of career appointees who can receive bonuses in any agency during any one fiscal year. (See p. 34.)

OPM's responsiveness to agencies' needs for guidance and its ability to provide oversight to insure that agencies effectively implement and operate SES will enhance the potential for success. OPM has provided technical assistance, regulations and guidance, evaluation, and compliance assistance. But opportunities exist for strengthened guidance and compliance efforts.

--Most of the eight agencies GAO visited had some concerns with aspects of OPM's written guidance, especially its timeliness. But, most of the concerns agencies expressed at that time have been corrected by subsequent regulations and guidance. OPM now needs to obtain feedback from agencies to insure that agencies have enough information to fully implement and operate SES. (See p. 40.)

--OPM compliance reviews focus on verifying agency actions to implement and operate SES. Although the compliance program has expanded since it began during conversion, GAO believes that more frequent onsite reviews of agencies are needed. OPM personnel who do most of the onsite compliance work also provide day-to-day technical assistance to agencies. Future compliance planning should consider separating these duties. (See p. 42.)

--Two agencies initially appointed officials of their new Offices of Inspector General to SES performance review boards. To help insure the independence of agencies' audit and investigative functions, agencies should not appoint executives of Inspector General and internal audit offices to these boards. (See p. 47.)

RECOMMENDATIONS TO OPM

The Director of OPM should:

--Develop criteria for agencies' use in requesting future allocations of SES positions and establish internal criteria and procedures to aid OPM personnel in achieving consistency in their reviews of these allocation requests. (See p. 11.)

--Consider adding occupational disciplines associated with personnel, statistics, finance, and budget functions to its career-reserved criteria and be alert to adding other disciplines requiring impartiality or the public's confidence in Government. (See p. 18.)

--Review general positions of SES to insure proper designation. (See p. 18.)

--Propose a corrective amendment to the Reform Act to include substantial career-oriented service in career-type positions as a basis for career SES appointment under the career conversion provisions for Federal employees serving in non-career, Schedule C, limited executive assignments, and similar appointments. (See p. 26.)

--Verify the incumbency requirement for executives who (1) converted from noncareer to career status and (2) make similar future conversions. (See p. 26.)

--Propose an amendment to clarify the "repealer provision" of the Reform Act regarding special agency authorizations. (See p. 29.)

--Propose legislative, or, if appropriate, regulatory changes to achieve consistency among agencies as to the maximum percentage of career executives eligible for bonuses in any one year. (See p. 39.)

--Require an increase in number and frequency of OPM onsite compliance reviews of agencies' SES activities. (See p. 46.)

--Evaluate the possibility of separating organizational responsibility for compliance reviews from technical assistance and other similar duties. (See p. 46.)

--Provide guidance to agencies directing that they avoid appointing officials responsible for auditing and investigating agency personnel activities to performance review boards and executive resources boards. (See p. 49.)

RECOMMENDATIONS TO THE CONGRESS

Salary increases for Federal executives have been limited or denied despite statutes which allow annual adjustments. Also, the Congress has been considering measures which would restrict the amount of bonuses and ranks that could be paid SES executives. SES success would be enhanced by the successful functioning of the present system. Any productivity gains that can be accomplished through the SES compensation plan would return many times its cost. GAO recommends that the Congress

--allow the annual adjustments for executives under Public Law 94-82 to take effect (see p. 33),

--discontinue the practice of linking congressional and Executive Level II salaries (see p. 33), and

--allow the bonus and rank provisions of the Reform Act to take effect (see p. 39).

AGENCY COMMENTS AND OUR EVALUATION

In general, OPM agrees with matters discussed in this report. The Director of OPM expressed his concern at the recent congressional initiatives to limit aggregate SES pay to $52,750. He believes that such limitations, which restrict the ability to reward outstanding executives, will stifle the SES program and adversely affect executive recruitment and retention. (See app. III.)

GAO concurs with the Director's concerns and believes that congressional action limiting SES pay and bonuses could undermine the chances for success of SES which is vital to achieving the goals of civil service reform.

RECENT CONGRESSIONAL ACTION

On July 2, 1980, the Congress included language in the Fiscal Year 1980 Supplemental Appropriations Act which allows aggregate pay for SES executives up to the level authorized by the Reform Act, but limits bonus payments to 25 percent, rather than 50 percent of SES positions. In addition, GAO was directed to do a thorough study, in cooperation with OPM, of bonus system payments and to report the findings to the authorizing and appropriation committees.

This action alleviates to a large degree the situation for fiscal year 1980, but a House proposal still retains language which would prohibit the October 1980 adjustment and limit aggregate SES pay for fiscal year 1981 to $52,750. Thus, GAO's concerns about pay-setting practices and restrictions on bonus and rank payments remain.

Continuing dialogue which focuses on compressing executive pay and limiting bonus and rank awards serves to create turbulence and declining morale among senior executives. GAO believes that the innovative features of the compensation plan for SES members, as set forth in the Reform Act, should not be abandoned before they have been given a chance to work. As directed, GAO will be especially alert for abuses of bonus payments in reviews of performance appraisal systems required by the Civil Service Reform Act of 1978.

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ABBREVIATIONS

DOD	Department of Defense
ERB	executive resources board
ES	Executive Schedule
GAO	General Accounting Office
GS	General Schedule

NASA	National Aeronautics and Space Administration
OPM	Office of Personnel Management
PRB	performance review board
SES	Senior Executive Service